

Message Text

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ACTION EB-08

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COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
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TO SECSTATE WASHDC PRIORITY 5298

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E.O. 11652 N/A
TAGS ETRD, EAID, EFIN, AR
SUBJECT BRINGING LDCS INTO FUTURE EXPORT CREDIT CONSENSUS

REF: STATE 083355

1. THE GREAT BULK OF ARGENTINAS EXPORTS -- EG GRAINS, FRESH MEAT -- ARE INELIGIBLE FOR EXPORT FINANCING AND THEREFORE CREDIT INSURANCE. THESE EXPORTS ARE GENERALLY PAID CASH AGAINST DOCUMENTS AND FINANCING, IF ANY IS REQUIRED, IS PROVIDED BY THE BUYERS BANK. THE CREDIT SYSTEM DESCRIBED BELOW, THEREFORE, ONLY APPLIES TO ARGENTINE EXPORTS WHICH BENEFIT FROM /PROMOTIONAL" FINANCING.

2. THERE IS NO OFFICIAL EXPORT CREDIT AGENCY.

3. CREDIT INSURANCE IS THE MONOPOLY OF THE COMPANIA ARGENTINA DE SEGUROS DE CREDITO A LA EXPORTACION (CASCE), A FCIA TYPE ENTITY WHICH IS A MEMBER OF THE BERNE UNION AND IS OWNED BY 145 PRIVATE ARGENTINE INSURANCE COMPANIES. THE COMPANY PROVIDES THE FOLLOWING TYPES OF INSURANCE:

A. POLITICAL RISK CREDIT INSURANCE, WHICH IS OBLIGATORY FOR LIMITED OFFICIAL USE

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ALL PROMOTIONAL FINANCING OF EXPORTS AND IS ADMINISTERED BY CASCE THE ACCOUNT OF THE GOVERNMENT. THE PREMIUM VARIES WITH THE TERM AND THE COUNTRY OF DESTINATION OF THE EXPORTS. THE CASCE TECHNICAL MANAGER SAID THAT THE RATE WOULD RUN AROUND 2 PER MIL ANNUM OF THE FOB VALUE FOR EXPORTS TO LATIN AMERICAN AND 4 PER MIL PER ANNUM FOR EXPORTS TO AFRICA (PRECISE RATES ARE CONSIDERED CONFIDENTIAL).

THE INSURANCE COVERS UP TO 100 PERCENT OF THE AUTHORIZED CREDIT FOR THE FULL TERM OF THE CREDIT.

B. COMMERCIAL RISK CREDIT INSURANCE OR A GUARANTEE FROM A RECOGNIZED FOREIGN BANK OR FROM ANOTHER FINANCIAL INSTITUTION IS REQUIRED FOR ALL PROMOTIONAL FINANCING OF EXPORTS IN EXCESS OF \$200,000. THE COMMERCIAL RISK CREDIT INSURANCE IS FOR THE ACCOUNT OF THE PRIVATE INSURANCE COMPANIES WHICH OWN CASCE. THE PREMIUM VARIES WITH THE TERM, CHARACTERISTICS OF THE BUYER, AND COUNTRY OF DESTINATION OF THE EXPORTS. THE CASCE TECHNICAL MANAGER SAID THAT THE RATES CHARGED WOULD BE IN THE RANGE OF 8-12 PER MIL PER ANNUM OF THE FOB VALUE OF THE EXPORTS. THE INSURANCE COVERS UP TO 85 PERCENT OF THE AUTHORIZED CREDIT FOR A TERM UP TO FIVE YEARS.

3. PROMOTIONAL EXPORT CREDIT FINANCING IS PROVIDED BY THE COMMERCIAL BANKS, WHICH CAN AUTOMATICALLY REDISCOUNT THE CREDITS WITH THE CENTRAL BANK. THE INTEREST RATE CHARGED THE EXPORTER IS A FLAT 7.5 PERCENT IN DOLLARS, REGARDLESS OF TERM, AND AMORTIZATIONS MUST BE UNIFORMLY SPACED; THE CREDITS MAY THEN BE REDISCOUNTED WITH THE CENTRAL BANK AT 4.5 PERCENT FOR CAPITAL GOOD TRANSACTION AND AT 5 PERCENT FOR ALL OTHER TYPES OF PRODUCTS. THE TERM AND DOWNPAYMENT REQUIRED VARIES WITH THE LIST A PRODUCT IS ON, AS FOLLOWS:

LIST 1. CAPITAL GOODS. TERM OF UP TO 8.5 YEARS (EXCEPTIONS LIMITED OFFICIAL USE

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ARE BOATS CLASSIFIED AS CAPITAL GOODS, WHICH THE TERM IS EXTENDED UP TO TEN YEARS). FINANCING LIMITED TO 85 PERCENT OF FOB VALUE.

LIST 2. DURABLE AND SEMI DURABLE CONSUMER GOODS. TERM OF UP TO THREE YEARS. FINANCING LIMITED TO 80 PERCENT OF THE FOB VALUE.

LIST 3. NON DURABLE CONSUMER GOODS. TERM OF UP TO ONE YEAR. FINANCING LIMITED TO 80 PERCENT OF THE FOB VALUE.

LIST 4. RAW MATERIALS AND PRIMARY PRODUCTS. TERM OF UP TO 180 DAYS. FINANCING LIMITED TO 80 PERCENT OF THE FOB VALUE.

4. ARGENTINA ALSO PROVIDES PRE EXPORT FINANCING -- BUT WE ASSUME THAT THIS AREA IS BEYOND THE SCOPE OF THE STUDY IN QUESTION.

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Message Attributes

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